RESEARCH HIGHLIGHTS

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CRISIS SITUATIONS IN COOPERATIVES: BETTER INTERVENTIONS HINGE ON A BETTER UNDERSTANDING

The research was conducted by the Confédération québécoise des coopératives d'habitation (CQCH), and made possible through a CMHC research subsidy.

There are 1,100 cooperatives in Quebec and 2,100 in Canada. They are home to 90,000 households in Canada, including 23,000 in Quebec. Housing cooperatives in Quebec are generally smaller and include several "purchase-renovation projects." In most cases they rely on management consisting totally of volunteers.

Generally housing cooperatives have been successful, however, there have been some setbacks along the way. Some housing cooperatives have to cope with crisis situations. Although the vast majority of these cooperatives manage to emerge from their predicament, others are confronted by enduring crises which compromise their existence.

This research aims to understand the origin of these crises, the conditions that give rise to their emergence, and solutions which can be put forward to resolve and, if possible, prevent them.

A qualitative research approach was taken with cooperatives and stakeholders who have experienced crisis situations. Housing cooperatives in five regional federations were surveyed by means of questionnaires. Members of cooperatives that have experienced crises were interviewed. The testimony of stakeholders in the housing cooperatives movement and government organizations active in housing cooperatives was gathered.

As the people we met with do not constitute a representative sample, the conclusions cannot be extrapolated to the entire housing cooperative population.

The survey of housing cooperatives

In the spring of 2000, survey questionnaires were distributed at the annual regional meetings of the regional federations of Chaudière-Appalaches, Lanaudière, Île de Montréal, Saguenay-Lac-Saint-Jean and the Fédération Coop-Habitat de l'Estrie. The survey achieved a response rate of 45 per cent, and the 82 completed questionnaires were analyzed.

Close to eight respondents in 10 (78 per cent) indicated that their cooperative had experienced a crisis. Of this group, four in 10 had gone through associative problems (conflicts between members or with the board of directors, no member' participation, inability to elect a board of directors in compliance with the regulations, etc.), and close to one quarter went through crises relating to management problems.

The crises are always attributable to several factors. In fewer than three in 10 cases, they were resolved; however, one-third of respondents believed that the crisis was partially resolved and one in 10 said that the crisis had never been worked out.

It was noted that outside assistance helped raise the rate of successful resolutions (34 per cent as opposed to 27 per cent without help) and reduced the failure rate to 6.5 per cent (compared to 24 per cent without assistance). To this extent, the regional federations were consulted in close to 50 per cent of the cases. The resolution rate exceeds 85 per cent when members participate in their cooperatives.

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Interviews with members of cooperatives

The intent was to get in touch with cooperatives that had experienced and resolved a crisis. In practice, we were not able to achieve this objective, since some of the cooperatives we met with are currently in the throes of a major crisis or are grappling with difficulties they have not managed to resolve.

Twelve persons were interviewed, most of whom had been members of the cooperative for several years and held various positions on the board of directors. The cooperatives had mainly been founded during the 1980s, had a prominent component of at least 30 units, and were made up of new units and purchase-renovation units in equal proportions. Only one of the 12 cooperatives had not gone through a crisis.

Ten of the others have experienced and are still experiencing associative difficulties, attributable to poor management, collusion, lack of interest and a lack of competencies.

The problems raised are similar and include a lack of participation, a lack of competencies, little interest in training, no understanding of the cooperative formula (a tenant's mentality), a non-existent, inadequate or a disregarded management structure, a lack or improper exercise of leadership, interpersonal conflicts, multicultural prejudices and challenges, abuses of power, cliques, favoritism and fraud, not to mention social problems such as prostitution and drug abuse.

Four cooperatives experienced economic difficulties, especially financial difficulties. Three cases are attributable to fraud or mismanagement. Two cooperatives are currently experiencing major financial problems, as they have no reserves and are carrying substantial cumulative deficits. Three cooperatives received outside financial assistance, which managed to stave off major financial difficulties which threatened their very existence. Another two cooperatives did not have any economic crises, but they did emphasize aspects of financial management which represent a huge challenge: the payment of rents, management of arrears and the adoption of realistic budgets requiring rent increases.

Four cooperatives did not report any physical problems. Four cooperatives in purchase-renovations did experience major physical problems due to a poor approach to the work—inadequate planning of work and incomplete and slipshod work. Another three cooperatives reported serious problems attributable to mismanagement and a lack of regular maintenance. Another cooperative cited major repairs in some units that can be traced to member negligence.

Respondents flagged three factors that cause difficulties to emerge :

(a) inadequate management due to a lack of a proper system in place and to insufficient knowledge and competencies which result in takeovers, abuse of authority and favouritism;
(b) projects undertaken with insufficient budgets, slipshod work, and a group development and training process that is inadequate and simply thrown together; and
(c) group of persons who cannot work together because they are underprivileged, have little education and initiative, or are very heterogeneous groups that do not see the deficient selection and integration management practices the same way.

Respondents identified three conditions which could help contribute to, prevent or resolve difficulties besetting cooperatives. When a commitment is made to go ahead with a project, better planning by the professionals involved and more effective supervision by government agencies and municipal agencies are required. During the operational phase, better supervision by government agencies and adequate and serious follow-up are a must. Finally, as for workouts, conditions more suited to cooperative management must be maintained to retain competitiveness in the market—to avoid wiping out the financial benefits of cooperative living.

Cooperatives have taken various steps to resolve their crises resulting in only mitigated success. However, many have not succeeded and major problems still exist.

In general, respondents agree that rapid intervention is required. From the standpoint of individual members, responsibilities must be shared to protect their mental stability. We must call on outside assistance while remaining involved in the process.

From a management viewpoint, the following are required :

(a) an adequate selection process and policies that discourage the creation of cliques;
(b) specific management procedures;
(c) regular communications with members;
(d) a strong, competent and united board of directors; and
(e) effective cooperation between senior and new members.

The cooperative housing movement should provide cooperatives with accurate information, an ongoing coaching service, training tailored to clientele in underprivileged neighbourhoods, and centred on leadership and initiative.

From a development standpoint, one must be honest with future members, take the clientele into account and go along with the rate at which it takes charge of the project, demand the hiring of a site manager to protect the interests of the cooperative; and realize that the cooperative formula is not suited to all types of clienteles. All cooperatives have admitted that the involvement, devotion and tenacity of some members of the cooperative were largely responsible for the resolution of their problems.

Crisis resolution specialists

Based on six interviews with crisis resolution specialists, a distinction must be drawn between a crisis and difficulties. A crisis is a condition that threatens the survival of the cooperative, regardless of its origin. Other instances are difficulties that can be overcome.

It is believed that the parameters and development process associated with a housing program intended for fully subsidized people does not foster the development of a cooperative spirit and tends to preserve the tenant mentality.

Moreover, resolution specialists agree that few resources are devoted to educating and training co-op members. They agree on the categories of crises in co-op members. Physical and economic crises are of limited duration and can be resolved with the appropriate means. Rapid intervention is necessary. Associative crises are more potent and sometimes leave irreparable after-effects. They are difficult to detect, analyze and resolve. Crises may be less frequent when cooperatives are larger and benefit from professional management support.

External factors causing difficulties include unfavourable economic conditions, parameters of government programs that impose conditions and obligations that are difficult to enforce, difficult relations with government agencies, poor project commitment or an underprivileged or substandard physical and social environment. Cooperatives are deprived of resources due to their small size, and the fact they are isolated and scattered over a large territory is not conducive to the creation of support services. Interventions often come too late in the process.

Factors within the cooperatives themselves include the following :

- many projects come from purchase-renovation arrangements where members were once tenants;
- a high member turnover rate contributes to a lack of competence;
- the cooperative formula is inadequate for certain clienteles or communities; and
- the imposition of heavy management responsibilities on volunteers who do not have access to support services.

Other reasons cited are the group's inability to recognize that it may be responsible for certain problems and the difficulty they have working together to make decisions, implement management systems and ultimately abide by them.

It will be easier for cooperatives to prevent and resolve their difficulties if they can rely on a competent board of directors, a defined management structure, effective regulations and policies, and fair and effective management practices. Moreover, they must have the ability to recognize difficulties and open-mindedness to prompt them to seek outside assistance; a strong, competent support network to allow for rapid interventions; better cooperation between the various stakeholders; and government development and assistance programs tailored to the cooperative formula.

According to respondents, information and training are the cornerstones of problem resolution. Cooperatives must have recourse to outside assistance. Any formal workout plan that calls for an injection of funding must be considered a last-resort measure. We must do everything in our power to rescue struggling cooperatives. Affordable housing is a rare commodity that must be protected. A major proportion of cooperatives manage to resolve their difficulties.

Courses of action selected for the future include questioning the size of cooperatives, improving support services in place, rethinking the notion of participation based on new realities, and putting training with reviewed form and content in the forefront.

Conclusion

All respondents cited the same types of difficulties, underlying factors and conditions that cause them to emerge. Most crises are associative and management-related, and their resolution rate is low. The lack of participation, competence and successors pose significant obstacles to the continuation of the cooperative project. The program parameters, the type of project, the rapid development process, a lack of training and information are but some of the reasons brought forth to explain the members' failure to take the cooperative project in hand.

New social phenomena such as increasing poverty and multicultural communities represent new challenges which cooperatives feel ill-equipped to deal with.

The use of outside assistance and member participation in cooperative life are crucial to the resolution of crises. The success rate exceeds 85 per cent when members participate.

The following action should be taken:

- make education and information the centerpiece of cooperative activities;
- implement coaching services to support cooperatives in difficulty;
- invest financial and human resources to develop adapted intervention tools;
- use the services of qualified community workers when required;
- train, supervise and evaluate the stakeholders more stringently;
- rethink the notion of participation based on new social realities; and
- question the size of cooperatives and reflect on the type of development under way.

The cooperation and involvement of all organizations working with cooperatives will be required for these steps to be taken.

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